

Message Text

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12

ORIGIN NEA-12

INFO OCT-01 ADP-00 AID-20 TRSE-00 COME-00 EB-11 IGA-02

CIAE-00 INR-10 NSAE-00 RSC-01 L-03 /060 R

DRAFTED BY NSIA/ SA: HFTHOMAS

4/11/73 X28225

APPROVED BY NEA/ INS: DTSCHNEIDER

ASIA/ CD: GEVANS

GC/ ASIA: SWSTEIN (DRAFT)

ASIA/ CD: TLUSTIG

NEA/ INS: ARKAY

AA/ ASIA: EVINSON NFO)

TREASURY: FMARESCA (INFO)

AA/ PPC: RMALLEY

----- 047007

R 112335 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

AMEMBASSY NEW DELHI

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E. O. 11652: N/ A

TAGS: EAID, CE

SUBJECT: MOV LOANS SETTLEMENT - NEGOTIATING POSITION

REF: (A) COLOMBO 157; (B) COLOMBO 142

NEW DELHI FOR RLA O' DONNELL

1. RE PARA 2 REF B. ALL DOCUMENTS IN AID/ W AND STATE
DESK FILES HAVE BEEN REPRODUCED AND POUCHED AIDREP UNDER
COVER TWO- WAY MEMO. REGISTRY NUMBER 1507929. THESE
RECORDS DO NOT CONTAIN COPIES OF EXCHANGES OF CORRES-
PONDENCE BETWEEN EMBASSY AND GSL DURING 1969-71 EXCEPT FOR
COOREY LETTER MAY 16, 1970 OR ANY MEMCONS OR MEMORANDA
OF RECORD WHICH MIGHT HAVE BEEN PREPARED DURING THAT TIME
PERIOD. APPARENTLY THESE MATERIALS WERE NOT RPT NOT
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FORWARDED AID/ W OR STATE AT THE TIME.

2. RE COOREY LETTER SUMMARIZED REF A. US POSITION TAKEN IN 1969 AND MAINTAINED TO DATE CONTAINED TWO BASIC ELEMENTS, (A) THAT FEEC SYSTEM IS EFFECTIVE MULTIPLE RATE SYSTEM AND US ENTITLED HIGHEST EFFECTIVE RATE AND (B) INTENT OF ICA REPAYMENT FORMULA NO DIFFERENT THAN DLF FORMULA, I. E. MAINTENANCE OF VALUE, AND AID HAS TAKEN UNIFORM WORLDWIDE POSITION THAT MINOR VARIATIONS IN LANGUAGE OF DLF AND ICA FORMULAS ARE NOT NEGOTIABLE (STATE 111396, JULY 7, 1969). WE REAFFIRM THIS POSITION.

3. RECORD CONFIRMS COOREY POINT THAT GSL ACCEPTED US POINT THAT FEEC RATE SHOULD APPLY. HOWEVER, COOREY LETTER MAY 16, 1970 ACCEPTING FEEC RATE PRINCIPLE CITES LOAN NUMBERS OF DLF AND ICA LOANS IN STATEMENT OF ACCEPTANCE OF HIGHEST EFFECTIVE RATE PRINCIPLE. ON ITS FACE THIS APPEARS BE UNCONDITIONAL ACCEPTANCE WITHOUT RESERVATION. COOREY'S JANUARY 15, 1973 LETTER ARGUING THAT QUOTE NO NEGOTIATIONS UNQUOTE ACKNOWLEDGED BY GSL TO HAVE TAKEN PLACE IN REGARD RATE APPLICABLE TO SPECIFIC LOAN AGREEMENTS IMPLIES IDENTITY OF TREATMENT ISSUE MAY NOT HAVE BEEN RESOLVED IN COURSE 1969-70 DISCUSSIONS. WE NOTE COLOMBO 1995, JULY 28, 1970, REPORTS MEETING HELD AT GOC REQUEST (FIRST REPORTED CONTACT SU& SEQUENT TO GOC LETTER OF MAY 16, 1970) TO DISCUSS GOC PROPOSAL FOR ARREARS REPAYMENT ON BASIS APPLICATION OF FEEC RATE PRINCIPLE. NO RPT NO PRESENTATION OR RESERVATION REPORTED TO HAVE BEEN MADE AT THAT DISCUSSION ON IDENTITY OF TREATMENT OF DLF AND ICA LOANS. USG THEN UNDERTOOK CONSIDERATION OF GOC REPAYMENT PROPOSAL ON ASSUMPTION NO ISSUES OF PRINCIPLE REMAINED OPEN SINCE GOC PROPOSAL AS REPORTED INCLUDED PROPOSED PAYMENT SCHEME FOR ARREARAGES OF ICA LOANS ON IDENTICAL BASIS, I. E., AT FEEC RATE, AS FOR DLF LOANS. WE CONCLUDE GOC LETTER OF MAY 16, 1970 ACCEPTING APPLICABILITY OF FEEC RATE WAS WITHOUT RESERVATION AS TO QUESTION OF IDENTITY OF TREATMENT BETWEEN DLF AND ICA LOANS.

4. RE COOREY POINT THAT ICA LOANS WERE RUPEE LOANS FROM COUNTERPART GENERATED BY SALE OF PL-480 FLOUR AND TECHNICALLY SHOULD NOT HAVE BEEN EXPRESSED IN DOLLARS LIMITED OFFICIAL USE

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WITH MAINTENANCE OF VALUE REQUIRED, WE OBSERVE THAT

COST/ BENEFIT RISKS ASSUMED BY BOTH GOVERNMENTS AT TIME
LOANS CONCLUDED WERE APPROXIMATELY EQUAL. US FOR ITS
PART AGREED FOREGO ALTERNATIVE USE OF FUNDS FOR EXTENDED
TIME PERIOD TO GENERATE FUNDS FOR CEYLONSE DEVELOPMENT
PURPOSES. GOC RECEIVED US RESOURCES AND RISKED POS-
SIBILITY THAT INVESTMENT RETURNS ON LOAN PROCEEDS OVER
TIME WOULD NOT BE COMMENSURATE WITH REPAYMENT REQUIRE-
MENT. WE SHARE COOREY CONCERN THAT GSL DEVELOPMENT
EFFORTS HAVE FAILED GENERATE ECONOMIC GROWTH RESULTING IN
FINANCIAL RETURNS TO GSL COMMENSURATE WITH COSTS OF LOANS.
HOWEVER, WE NOT PREPARED CONSIDER QUESTION OF RENEGOTIATION
OF THESE LOANS AT THIS POINT.

5. EMBASSY AUTHORIZED CONVEY SUBSTANCE FOREGOING POINTS
TO GSL IN RESPONSE COOREY LETTER OF JANUARY 15, 1973.
INVITE YOUR COMMENTS AND RECOMMENDATIONS RE ABOVE AND ANY
OTHER POINTS YOU FEEL MIGHT BE ADDED TO PRESENTATION.
REQUEST COPIES OF ALL CORRESPONDENCE AND MEMORANDA OF
RECORD BE FORWARDED SRI LANKA DESK, AID/ W AND NEA/ INS
HENCEFORTH SO THAT BACKUP RECORDS MAY BE MAINTAINED HERE.

6. DECONTROL FOLLOWING JUNE 30, 1976. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 11 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: HFTHOMAS
Enclosure: n/a
Executive Order: n/a
Errors: n/a
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ISecure: 1
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Review History: RELEASED <17-Dec-2001 by shawdg>; APPROVED <08-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Status: <DBA CORRECTED> gwr 971222
Subject: MOV LOANS SETTLEMENT - NEGOTIATING POSITION
TAGS: EAID, CE
To: COLOMBO
NEW DELHI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005